

NEWS RELEASE

Office of Attorney General Terry Goddard



STATE OF ARIZONA
DEPARTMENT OF LAW
1275 W. Washington Street
Phoenix, Arizona 85007-2926

CONTACT:
Dianna Jennings
PRESS OFFICE
Phone: (602)-542-8019

FOR IMMEDIATE RELEASE

Arizona to get more than \$2.3 million **States reach \$160 million settlement with tobacco companies**

(Phoenix, AZ – June 19, 2003) Attorney General Terry Goddard announced today that Arizona will receive over \$2.3 million from tobacco companies in a settlement of pending disputes over payments. The bulk of the money will come from Brown & Williamson, the nation's third largest tobacco manufacturer. The 1998 Master Settlement Agreement required all of the major tobacco companies to pay \$206 billion to the states over the first 25 years of the agreement.

The payment to the state comes as part of a new, global settlement reached today for \$160 million between the 52 states and jurisdictions and most of the nation's major tobacco manufacturers.

"Today's agreement reconfirms our commitment to enforcing Arizona's interests under the Master Settlement Agreement," Attorney General Goddard said. "I'm especially pleased because right now, Arizona can certainly use this money."

The agreement resolves Brown & Williamson's failure to make payments to the states for the cigarettes it manufactured for Star Tobacco, Inc., a company that refused to join the settlement. On behalf of the other states, the Attorney General of Vermont sued Brown & Williamson over the payments last December.

As part of the settlement, the tobacco manufacturers agreed they will take responsibility for cigarettes they manufacture for other companies. The settlement also avoids complex disputes over whether the 1998 settlement was a "significant factor" in causing the market share of the companies that signed it to decline during the first four years of the agreement. That issue had threatened to drag on into years of costly litigation, Attorney General Goddard said. Instead, the settlement avoids claims from the tobacco companies that might have reached as much as \$1 billion.

Vermont Attorney General William H. Sorrell, chair of the Tobacco Committee of the National Association of Attorneys General, headed the team that negotiated the agreement for the states. He declared that the agreement was "a major step forward for the states in ensuring that they will continue to receive the full payments promised under the MSA."

According to Sorrell, the settlement demonstrated that the states would fight to hold the companies to the full amount of their payments and to prevent companies from resorting to indirect means to subvert the intent of the MSA.

"This settlement confirms the principle that signatories to the MSA are responsible for all the cigarettes they manufacture and that they cannot enter into agreements with companies outside the agreement designed to minimize their obligations under the MSA," he said. "This is a good settlement because it provides not only payment for cigarettes manufactured in the past but also establishes clear ground rules for the future."